

**LAWTON-BRONSON COMMUNITY
SCHOOL DISTRICT**

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2004

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004
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LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2004

**Board of Education
(Before September 2003 Election)**

		Term Expires
Mark Thompson	President	2003
Julie Karrer	Vice President	2004
Vi Newhard	Board Member	2004
Gary Gevik	Board Member	2004
Kevin Grieme	Board Member	2005

**Board of Education
(After September 2003 Election)**

Mark Thompson	President	2006
Kevin Grieme	Vice President	2005
Julie Karrer	Board Member	2004
Vi Newhard	Board Member	2004
Gary Gevik	Board Member	2004

School Officials

Robert Morrison	Superintendent	2004
Michele McCreary	Secretary-Treasurer	2004
James Hanks	Attorney	Indefinite

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Lawton-Bronson Community School District
Lawton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Lawton-Bronson Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lawton-Bronson Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Lawton-Bronson Community School District as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004, on our consideration of the Lawton-Bronson Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and page 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawton-Bronson Community School District's basic financial statements. The general purpose financial statements for the years ended June 30, 2003, 2002 and 2001 were audited by other auditors (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and they expressed an unqualified opinion on them in their report dated September 4, 2003. The supplemental information, included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial

statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Certified Public Accountants

Sioux City, Iowa
September 30, 2004

Management Discussion and Analysis

Lawton-Bronson Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operation.

Overview of the Financial Statements

This annual report consists of three parts: Management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *district-wide financial statements* that provide *both short-term and long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operation in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds statements* offer *short and long-term* financial information about the activities the District operates *like businesses*, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A- 2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-wide Financial Statements

The District-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all the of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets- the difference between the District's assets and liabilities- is one way to measure the District's financial health or position.

-Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

-To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

-*Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

-*Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on regular programs.

-Some funds are required by state law and by bond covenants.

-The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

-*Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

-*Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.

-*Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Figure A-3 provides a summary of the District's net assets for the year ended June 30, 2004.

While the overall financial performance of the district remains strong, the past two years have seen a decline in the unreserved/undesignated fund balance with an expectation of minimal decreases or basic maintenance of the balance over the next couple years.

The unreserved/undesignated balance decline can be attributed in part to the poor condition of the State of Iowa economy. As long as the state continues to experience financial difficulty, the school district will continue to receive inadequate allowable budget growth, and will continue to experience the loss of categorical grant funds. If by chance the allowable growth increases return to the levels of 6-10 years prior, which has been recommended by the state, our fund balance could experience small increases.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, debt services, and intergovernmental. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

- The cost of all governmental activities this year was \$4,715,966.
- Some of the cost was financed by the users of the District's programs.
- The federal and state governments subsidized certain programs with grants and contributions of \$427,321.
- Most of the District's \$3,793,700 of net costs, however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,143,277 in property taxes, \$2,086,041 of unrestricted state aid based on the statewide finance formula, and investment earnings.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$209,372 and expenses totaled \$244,731 (Refer to figure A-4). This resulted in expenditures exceeding revenues by \$35,359. This deficit was caused primarily by the school food and nutrition services program paying the employee benefit costs rather than the costs being paid from general operating funds.

Financial Analysis of the District's Funds

As previously noted, Lawton-Bronson Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General Fund Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year, utilizing statutorily prescribed procedures. The District's budget is prepared on a cash basis. Over the course of the year, it

was necessary for the District to reallocate its budget so that expenditures would not exceed the certified amounts.

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the district had invested \$8,667,505 in a broad range of assets including school buildings, land, athletic facilities, computer and audio-visual equipment, and vehicles. Total depreciation expense for the year exceeded \$219,588.

Long Term Debt

At year-end, the District had \$3,610,000 in general obligation bonds and other long-term debt outstanding.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid to schools, (allowable growth) will be predicated upon the condition of the national and state economy. State funding growth for public schools for fiscal year 2005 has been recommended at 4%.

- District enrollment has had decreases the last two years. Under Iowa's school funding formula, District funding is highly dependent upon district enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizen, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Dr. Robert Morrison, Superintendent, Lawton-Bronson Community School District, 100 Tara Way, Lawton IA 51030.

Figure A-1

**Organization of Lawton-Bronson Community
School District's Annual Financial Report**

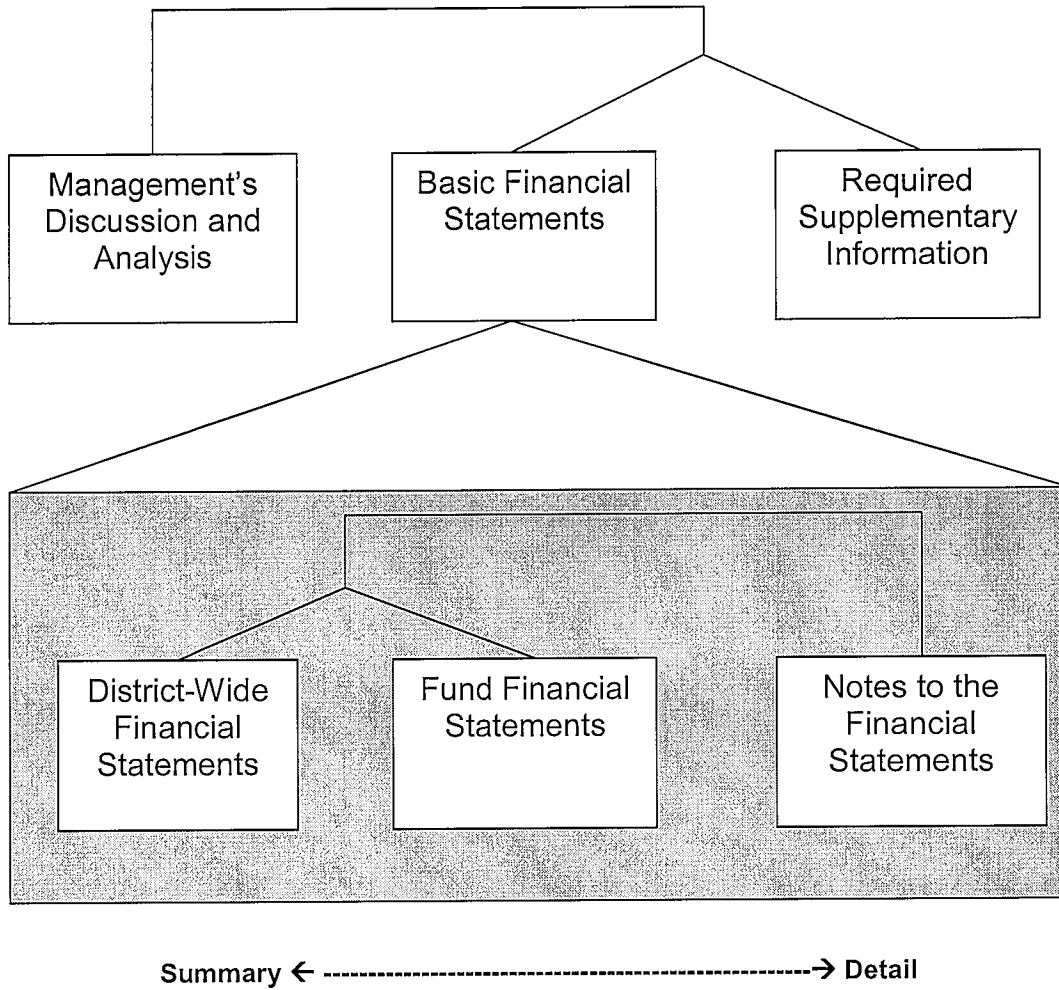


Figure A-2
Major Features of the District Wide and Fund Financial Statements

	District - wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services is included here	Instances in which the district administers resources on behalf of someone else; such as scholarship programs and student activities monies
Required financial statements	Statement of net assets and statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-3
Condensed Statement of Net Assets June 30, 2004

	Governmental Activities	Business-type Activities	Total School District
Current and other assets	\$ 4,511,826	\$ 24,167	\$ 4,535,993
Capital assets	5,630,642	77,151	5,707,793
Total Assets	10,142,468	101,318	10,243,786
Long-term debt outstanding	3,610,000		3,610,000
Other liabilities	2,377,282	29,440	2,406,722
Total Liabilities	5,987,282	29,440	6,016,722
Invested in capital assets, net of related debt	2,020,642	77,151	2,097,793
Restricted	46,483		46,483
Unrestricted	2,088,061	(5,273)	2,082,788
Total Net Assets	\$ 4,155,186	\$ 71,878	\$ 4,227,064

Figure A-4
Changes in Net Assets from Operating Results
for the year ended June 30, 2004

	Governmental Activities	Business-type Activities	Total School District
Revenues			
<i>Program Revenues</i>			
Charges for Services	\$ 494,945	\$ 126,810	\$ 621,755
Operating Grants & Contributions	427,321	78,519	505,840
<i>General Revenues</i>			
Property and Other Taxes	2,143,277		2,143,277
State Formula Aid	2,086,041		2,086,041
Other	59,220	4,043	63,263
Total Revenues	5,210,804	209,372	5,420,176
Expenses			
Instruction	2,944,660	244,731	3,189,391
Support Services	1,327,680		1,327,680
Facilities Acquisition	78,417		78,417
Debt Service	198,119		198,119
Intergovernmental	167,090		167,090
Total Expenses	4,715,966	244,731	4,960,697
Increase (Decrease) in Net Assets	\$ 494,838	\$ (35,359)	\$ 459,479

Figure A-5
Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 2,944,660	\$ 2,198,481
Support Services	1,327,680	1,318,683
Facilities Acquisition	78,417	78,417
Debt Service	198,119	198,119
Intergovernmental	167,090	
Total	\$ 4,715,966	\$ 3,793,700

Figure A-6
Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total School District</u>
Land	\$ 283,677		\$ 283,677
Buildings	6,464,484	-	6,464,484
Vehicles & Equipment	1,688,129	231,215	1,919,344
Total	\$ 8,436,290	\$ 231,215	\$ 8,667,505

Figure A-7
Outstanding Long-Term Debt

	<u>Total School District</u>
General obligation bonds & notes	\$ 3,610,000

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 2,469,314	\$ 12,663	\$ 2,481,977
Receivables:			
Property Tax	18,252		18,252
Succeeding Year Property Tax	1,796,793		1,796,793
Other	8,750		8,750
Interfund Receivable	14,648		14,648
Due from Other Governmental Agencies	204,069		204,069
Inventories		11,504	11,504
Land	283,677		283,677
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	5,346,965	77,151	5,424,116
Total Assets	10,142,468	101,318	10,243,786
LIABILITIES			
Payables:			
Accounts Payable	84,505		84,505
Interfund Payable		14,648	14,648
Deferred Revenue:			
Succeeding Year Property Tax	1,796,793		1,796,793
Accrued Wages and Benefits	393,921	14,792	408,713
Accrued Early Retirement	87,148		87,148
Accrued Interest Payable	14,915		14,915
Long Term Debt Due Within One Year	225,000		225,000
Long Term Debt Due in More Than One Year	3,385,000		3,385,000
Total Liabilities	5,987,282	29,440	6,016,722
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	2,020,642	77,151	2,097,793
Restricted for:			
Educational Excellence- Phase III	12,587		12,587
Iowa Early Intervention	2,702		2,702
Debt Service	31,194		31,194
Unrestricted	2,088,061	(5,273)	2,082,788
Total Net Assets	\$ 4,155,186	\$ 71,878	\$ 4,227,064

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues
		Charges for Services
Primary Government:		
Governmental Activities:		
Instruction:		
Regular	\$ 2,101,693	\$ 215,204
Special Programs	392,970	85,431
Vocational	170,161	
Co-curricular	279,836	194,310
Support Services:		
Student Support	118,405	
Instructional Staff Support	50,096	
General Administration	261,666	
Building Administration	208,314	
Business Administration	100,574	
Operations and Maintenance	364,018	
Student Transportation	224,607	
Facilities Acquisition:		
Building Improvement Services	78,417	
Debt Service:		
Services	40	
Interest	198,079	
Intergovernmental:		
AEA Flowthrough	167,090	
Total governmental activities	<u>4,715,966</u>	<u>494,945</u>
Primary Business Type Activity		
School Nutrition Fund	<u>244,731</u>	<u>126,810</u>
Total School District	<u><u>\$ 4,960,697</u></u>	<u><u>\$ 621,755</u></u>
General Revenues:		
Property taxes		
Other taxes		
Interest on Investments		
State aid not restricted to specific programs		
Miscellaneous		
Total general revenues and transfers		
Change in net assets		
Net assets - beginning		
Net assets - ending		

See Accompanying Notes to Financial Statements

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants Contributions	Capital Grants Contributions	Governmental Activities	Business Type Activities	Total
\$ 247,310		\$ (1,639,179)		\$ (1,639,179)
		(307,539)		(307,539)
3,924		(166,237)		(166,237)
		(85,526)		(85,526)
		(118,405)		(118,405)
		(50,096)		(50,096)
		(261,666)		(261,666)
		(208,314)		(208,314)
		(100,574)		(100,574)
8,997		(355,021)		(355,021)
		(224,607)		(224,607)
		(78,417)		(78,417)
		(40)		(40)
		(198,079)		(198,079)
167,090		-		-
427,321	-	(3,793,700)		(3,793,700)
78,519	-		\$ (39,402)	(39,402)
\$ 505,840	\$ -	(3,793,700)	(39,402)	(3,833,102)
		1,735,316		1,735,316
		407,961		407,961
		41,154	145	41,299
		2,086,041		2,086,041
		18,066	3,898	21,964
		4,288,538	4,043	4,292,581
		494,838	(35,359)	459,479
		3,660,348	107,237	3,767,585
		\$ 4,155,186	\$ 71,878	\$ 4,227,064

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
Governmental Funds
JUNE 30, 2004

	General	Capital Projects
Assets		
Cash and Pooled Investments	\$ 616,304	\$ 1,547,062
Receivables:		
Property Tax	12,882	
Succeeding Year Property Tax	1,248,876	
Other		
Due from Other Funds	13,085	14,025
Due from Other Governmental Agencies	115,427	88,642
Total Assets	<u>2,006,574</u>	<u>1,649,729</u>
Liabilities and Equity		
Payables:		
Accounts Payable	80,180	4,325
Due to Other Funds		
Deferred Revenue:		
Succeeding Year Property Tax	1,248,876	
Accrued Wages and Benefits	393,921	
Accrued Early Retirement		
Total Liabilities	<u>1,722,977</u>	<u>4,325</u>
Fund Balances:		
Reserved for Phase III	12,587	
Reserved for Iowa Early Intervention	2,702	
Reserved for Debt Service		
Unreserved for:		
Undesignated	268,308	1,645,404
Total Fund Balances	<u>283,597</u>	<u>1,645,404</u>
Total Liabilities and Equity	<u>\$ 2,006,574</u>	<u>\$ 1,649,729</u>

See Accompanying Notes to Financial Statements

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 1,586	\$ 304,362	\$ 2,469,314
4,120	1,250	18,252
412,720	135,197	1,796,793
8,750		8,750
16,738	747	44,595
		204,069
443,914	441,556	4,541,773

		84,505
	29,947	29,947
412,720	135,197	1,796,793
		393,921
	30,988	30,988
412,720	196,132	2,336,154
		12,587
31,194		31,194
	245,424	2,159,136
31,194	245,424	2,205,619
\$ 443,914	\$ 441,556	

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,630,642
Accrued expenses from the balance sheet that provide current financial resources for governmental activities	(71,075)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(3,610,000)
Net Assets of Governmental Activities	\$ 4,155,186

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended June 30, 2004

	General	Capital Projects
Revenue:		
Local Sources	\$ 1,517,576	\$ 438,264
State Appropriations	2,381,638	
Federal Appropriations	131,724	
Total Revenue	<u>4,030,938</u>	<u>438,264</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular	2,037,114	
Special Programs	392,970	
Vocational	166,125	
Co-curricular	107,933	
Support Services:		
Student Support	117,959	
Instructional Staff Support	49,191	
General Administration	179,145	
Building Administration	208,314	
Business Administration	100,574	
Operations and Maintenance	303,341	
Student Transportation	175,833	
Facilities Acquisition:		
Building Improvement Services		136,872
Debt Service:		
Services		
Principal		
Interest		
Intergovernmental:		
AEA Flowthrough	167,090	
Total Expenditures	<u>4,005,589</u>	<u>136,872</u>
Excess of Revenues Over Expenditures	25,349	301,392
Fund Balances-Beginning of Year	258,248	1,344,012
Fund Balances-End of Year	<u>\$ 283,597</u>	<u>\$ 1,645,404</u>

See Accompanying Notes to Financial Statements

Debt Service		Other Governmental Funds		Total Governmental Funds	
\$	417,524	\$	324,078	\$	2,697,442
					2,381,638
					131,724
	417,524		324,078		5,210,804
			36,788		2,073,902
					392,970
					166,125
			168,784		276,717
					117,959
					49,191
			24,722		203,867
					208,314
					100,574
			28,717		332,058
			8,580		184,413
			906		137,778
	40				40
	215,000				215,000
	198,739				198,739
					167,090
	413,779		268,497		4,824,737
	3,745		55,581		386,067
	27,449		189,843		1,819,552
\$	31,194	\$	245,424	\$	2,205,619

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 19)	\$ 386,067
--	------------

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year.

	(148,731)
--	-----------

Accrued Expenses not reported on modified accrual basis	42,502
---	--------

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:

	<u>215,000</u>
--	----------------

Change in net assets of governmental activities (page 15)	<u><u>\$ 494,838</u></u>
---	--------------------------

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2004

	School Nutrition Fund
Operating Revenues:	
Sales of lunches and breakfasts:	
Students	\$ 117,894
Adults	8,880
A la carte	36
Miscellaneous	3,898
	<hr/>
Total Operating Revenue	130,708
Operating Expenditures:	
Food Service Operations:	
Salaries	101,088
Benefits	19,533
Supplies	107,071
Other	5,543
Depreciation	11,496
	<hr/>
Total Operating Expenses	244,731
	<hr/>
Operating Loss	(114,023)
Non-Operating Revenues :	
Interest Income	145
State Lunch and Breakfast Program Claims	3,520
National School Lunch Program	51,434
Federal Food Commodities Received	23,565
	<hr/>
Total Non-Operating Revenues	78,664
	<hr/>
Change in net assets	(35,359)
	<hr/>
Net Assets-beginning, as previously reported	170,140
	<hr/>
Net Assets before prior period adjustment	134,781
	<hr/>
Prior Period Adjustment (see Note 9)	(62,903)
	<hr/>
Net Assets-ending	\$ 71,878
	<hr/>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
Business Type Activity
For the Year Ended June 30, 2004

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from customers	\$ 126,810
Cash received from miscellaneous operating activities	3,898
Cash payments to employees for services	(120,610)
Cash payments to suppliers for goods and services	(110,120)
Total cash used by operating activities	<u>(100,022)</u>
Cash flows from noncapital financing activities:	
State grants received	3,520
Federal grants received	74,999
Interfund amounts received	14,648
Net cash provided by noncapital financing activities	<u>93,167</u>
Cash flows from investing activities:	
Interest on investments	<u>145</u>
Net decrease in cash and cash equivalents	(6,710)
Cash and pooled investments - beginning of year	<u>19,373</u>
Cash and pooled investments - end of year	<u><u>12,663</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating Loss	(114,023)
Depreciation Expense	11,496
Change in assets and liabilities:	
Decrease in inventory	2,494
Increase in salaries and benefits payable	<u>11</u>
Net cash used in operating activities	<u><u>(100,022)</u></u>
Supplemental schedule of noncash noncapital financing activities:	
Federal food commodities received	<u><u>\$ 23,565</u></u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2004

	<u>2004</u>
ASSETS	
Cash and Temporary Cash Investments	<u>\$ 35,725</u>
LIABILITIES	
Other Payables	<u>\$ 35,725</u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The Lawton-Bronson Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic areas served includes the cities of Lawton and Bronson, Iowa, and the predominate agricultural territory in Woodbury County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Lawton-Bronson Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Lawton-Bronson Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Certain significant changes in the statement include the following:

- For the first time:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and result of operations.
 - Financial statements prepared using full accrual accounting for all the District's activities.
- A change in the fund financial statements to focus on the major funds of the District.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The District has implemented the statement for the year ended June 30, 2004.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint ventures since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury County Assessor's Conference Board.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, capital project, and debt service funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two types: governmental and proprietary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following are the District's governmental funds.

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes. The funds included in this category and their purposes are as follows:

Management Fund – Accounts for a levy of seventy-eight cents per thousand dollars of assessed valuation in the district for insurance premiums and unemployment compensation insurance claims.

Physical Plant and Equipment Levy – Accounts for a regular levy of thirty-three cents per thousand dollars of assessed valuation in the district as well as an additional special voted property tax levy of one dollar per thousand dollars of assessed valuation in the district for use in purchase of equipment and repairing and improving schoolhouse buildings and grounds.

Student Activity Fund – Accounts for student clubs and other activities not necessary to regular instruction services that are financed partly or entirely by admissions and student fund-raising activities.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the District's ongoing activities that are similar to those often found in the private sector, where the measurement focus is upon the flow of economic resources. The fund included in this category and its' purpose are as follows:

Enterprise Fund – The Enterprise Fund is used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The fund included in this category and its purpose is as follows:

School Nutrition Fund – Accounts for the food service operations of the District.

FIDUCIARY FUND TYPE

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the District's fiduciary fund:

Agency Fund - The Teacher's Memorial and Shoemaker Scholarship Funds hold monies for the school to distribute to students as scholarships. The monies are not to be used for any other purpose, and if the funds are ever dissolved, the monies return to the estates that provided the funding.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting/Measurement Focus – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and agency funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Because of their flow of current financial resources measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Those revenues susceptible to accrual are property taxes, interest revenue, and intergovernmental revenue (shared revenues, grants and reimbursements from other governments). Revenue from federal and state grants and similar programs are recognized when a District has done everything necessary to establish its right to the revenue. Usually this is at the time an expenditure has been incurred for an authorized purpose.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary Fund type operating statements present increases (e.g. revenue) and decreases (e.g. expenses) in net total assets. In reporting the financial activity of its proprietary funds, the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary fund types utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgetary Accounting- In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except expendable trust funds and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

The following accounting policies are followed in preparing the financial statements:

Cash and Temporary Cash Investments – The cash balances of most District funds are pooled and invested. For purposes of the statement of cash flows, the proprietary fund type considers all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2004 included certificates of deposits of \$721,860 with original maturity dates longer than three months.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

Interfund Activity – Interfund balances outstanding at year-end were between the General Fund, the Management Levy Fund, the Debt Service Fund, the Capital Projects Fund, the Nutrition Fund, and the Physical Plant and Equipment Levy (PPEL) Fund. The purpose of the balances between the General Fund and the Capital Projects Fund was to accrue expenses that the Capital Projects Fund paid on the General Fund's behalf. The purpose of the balances between the General Fund and the Nutrition Fund was to accrue expenses that the General Fund paid on the Nutrition Fund's behalf. The purpose of the balances between the General Fund, the Management Levy Fund, the Debt Service Fund, and the PPEL Fund was to accrue expenses that the other three funds paid on the PPEL Fund's behalf.

Property Tax Receivable – Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories – Inventory items are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities.

Property and Equipment – Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District's capitalization policy is \$5,000. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and structures	25 - 50 years
Machinery and equipment	5 - 20 years

During the year ended June 30, 2004, no interest costs were capitalized since the District's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

Proprietary Fund – Proprietary fund type property and equipment is accounted for at historical costs or estimated historical costs where historical cost is not available. Contributed capital assets are recorded at estimated fair market value at the date received.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives for machinery and equipment are 15 years.

Accrued Payroll and Related Expenditures – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable as well as delinquent property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Compensated Absences – There is no liability for unpaid accumulated vacation or sick leave since the District does have a policy in which employees are required to use it or lose it. The District does not pay this amount when employees separate from service.

Note 2 – Deposits and Investments

The School District's deposits at June 30, 2004 were entirely covered by Federal Depository Insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The School is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2004 the carrying amounts of the School District's deposits were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
All Fund Types	\$ 2,433,161	\$ 2,466,874

Note 3 – Area Education Agency

The District is required by the Code of Iowa to budget for its share of the media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$167,090 for the year ended June 30, 2004, and is recorded in the General Fund.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 4 – Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Land	\$ 283,677	\$ -	\$ -	\$ 283,677
Buildings	6,420,119	44,365	-	6,464,484
Vehicles and Equipment	1,904,348	14,996	-	1,919,344
	8,608,144	59,361	-	8,667,505
Acc. Dep.	(2,740,124)	(219,588)	-	(2,959,712)
Total	\$ 5,868,020	\$ (160,227)	\$ -	\$ 5,707,793

An adjustment was made to capital assets due to the omission of some prior period assets, and the underdepreciation of prior period nutrition equipment.

Depreciation Expense was charged to governmental activities as follows:

General Administration/Multi-Functional	\$ 133,243
Instruction	18,911
Vocational Instruction	4,036
Co-Curricular Instruction	3,119
Instructional Staff Support	1,351
Operations and Maintenance	7,238
Transportation	40,194
Nutrition	11,496
	<u>\$ 219,588</u>

Note 5 – Retirement System

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$144,165, \$131,597, and \$133,210 respectively, equal to the required contributions for each year.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 6 – Long-Term Debt

A summary of changes in long-term debt of the year ended June 30, 2004 is as follows:

	General Obligation Bonds	Early Retirement	Accrued Compensation	Total
Balance beginning of year	\$ 3,825,000	\$ 47,280	\$ 50,722	\$ 3,923,012
Additions	-	51,388	-	51,388
Deletions	(215,000)	(11,520)	(50,722)	(277,242)
Balance end of year	<u>\$ 3,610,000</u>	<u>\$ 87,148</u>	<u>\$ -</u>	<u>\$ 3,697,148</u>

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be between the ages of 55 and 65 on or before June 30 of the year in which they wish to retire, and must have completed a total of ten years of service to the District as a full-time licensed employee. Employees must complete an application which is required to be approved by the Board of Education. Retirees select benefits under either of the following options:

Monetary Payment - A percentage of the employee's current annual full-time base salary, based on the employee's years of service.

Health Insurance Continuation – Allows the employee to continue to participate in the District's group health insurance plan until age 65 at the expense of the District, not to exceed \$200 per month for employees who retired prior to February 27, 2003, and \$240 per month for employees who retired after February 27, 2003.

Early retirement benefits (including payroll taxes) paid during the year ended June 30, 2004 totaled \$11,520. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded representing the District's commitment to fund non-current early retirement.

Bonded Debt

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Ending June 30	Principal	Interest	Total
2005	225,000	187,720	412,720
2006	235,000	176,020	411,020
2007	250,000	163,800	413,800
2008	260,000	150,800	410,800
2009	275,000	137,280	412,280
2010-2014	1,605,000	456,300	2,061,300
2015-2016	760,000	59,800	819,800
Totals	<u>\$ 3,610,000</u>	<u>\$ 1,331,720</u>	<u>\$ 4,941,720</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 7 – Operating Leases

The District is committed under a non-cancelable operating lease for copiers. Future minimum operating lease commitments are as follows:

Year Ending June 30,	PPEL Fund
2005	\$ 5,376
2006	<u>2,688</u>
Total	\$ 8,064

Rent expenditures were \$5,376 for the year ended June 30, 2004.

Note 8 – Risk Financing

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year ended June 30, 2004 the District has elected to purchase commercial insurance to cover against the risk of loss. There were no settlements that exceeded insurance coverage during the past three years or any significant reductions in coverage.

Note 9 – Prior Period Adjustments

In the prior period, enterprise fund equipment accumulated depreciation was understated by \$62,903. The resulting decrease in assets was subtracted from the beginning fund balance for the current period.

In the prior period, the early retirement liability was understated by \$4,280. The resulting increase in liabilities was subtracted from the beginning fund balance for the current period.

REQUIRED SUPPLEMENTAL INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-
Budget and Actual (Cash Basis)-
General Fund and Proprietary Fund
Year Ended June 30, 2004

	General Fund Actual	Proprietary Fund Actual	Total Actual	Final Budget	Variance with Budget Favorable (Unfavorable)
Receipts:					
Local Sources	\$ 1,416,748	\$ 130,852	\$ 1,547,600	\$ 1,601,764	\$ (54,164)
State Sources	2,403,858	3,520	2,407,378	2,528,215	(120,837)
Federal Sources	88,867	51,434	140,301	141,000	(699)
Total Revenues	<u>3,909,473</u>	<u>185,806</u>	<u>4,095,279</u>	<u>4,270,979</u>	<u>(175,700)</u>
Expenditures:					
Instruction	2,721,921	-	2,721,921	2,740,000	18,079
Support Services	1,095,731	-	1,095,731	1,155,000	59,269
Non-Instructional Programs	192	192,516	192,708	255,000	62,292
Other Expenditures	167,090	-	167,090	183,688	16,598
Total Expenditures	<u>3,984,934</u>	<u>192,516</u>	<u>4,177,450</u>	<u>4,333,688</u>	<u>156,238</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(75,461)</u>	<u>(6,710)</u>	<u>(82,171)</u>	<u>(62,709)</u>	<u>(19,462)</u>
Fund Balance/Retained Earnings Beginning of Year	<u>691,765</u>	<u>19,373</u>	<u>711,138</u>	<u>821,605</u>	
Fund Balance/Retained Earnings End of Year	<u>\$ 616,304</u>	<u>\$ 12,663</u>	<u>\$ 628,967</u>	<u>\$ 758,896</u>	

See Accompanying Notes to Required Supplemental Information

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplemental Information – Budgetary Reporting
June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment that reallocated amounts, but did not change the budget in total.

During the year ended June 30, 2004, disbursements in all functions did not exceed the amounts budgeted.

There was one amendment made during the fiscal year ending June 30, 2004. The original budget by functional area, amendments, and the amended budget by functional area were as follows:

	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
Instruction	\$ 3,030,000	\$ (50,000)	\$ 2,980,000
Student Support Services	1,359,000	(57,000)	1,302,000
Non-Instructional	255,000	-	255,000
Other Expenditures	708,688	107,000	815,688

A comparison of cash basis revenues, expenditures or expenses and changes in balance with the cash basis budget, which is legally controlled by functional areas, is presented here. Operations and ending fund balances on the cash and modified accrual or accrual basis have been reconciled as follows:

	<u>Governmental Fund Types</u>		
	<u>General</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 3,909,473	\$ 121,465	\$ 4,030,938
Expenditures	3,984,934	20,655	4,005,589
Net	(75,461)	100,810	25,349
Beginning Fund Balance	691,765	(433,517)	258,248
Ending Fund Balance	<u>\$ 616,304</u>	<u>\$ (332,707)</u>	<u>\$ 283,597</u>

	<u>Governmental Fund Types</u>		
	<u>Special Revenue</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 324,078	\$ -	\$ 324,078
Expenditures	250,809	17,688	268,497
Net	73,269	(17,688)	55,581
Beginning Fund Balance	231,093	(41,250)	189,843
Ending Fund Balance	<u>\$ 304,362</u>	<u>\$ (58,938)</u>	<u>\$ 245,424</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplemental Information – Budgetary Reporting
June 30, 2004

	<u>Governmental Fund Types</u>		
		<u>Debt Service</u>	
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 418,640	\$ (1,116)	\$ 417,524
Expenditures	422,508	(8,729)	413,779
Net	(3,868)	7,613	3,745
Beginning Fund Balance	5,454	21,995	27,449
Ending Fund Balance	<u>\$ 1,586</u>	<u>\$ 29,608</u>	<u>\$ 31,194</u>

	<u>Governmental Fund Types</u>		
		<u>Capital Projects</u>	
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 423,727	\$ 14,537	\$ 438,264
Expenditures	147,000	(10,128)	136,872
Net	276,727	24,665	301,392
Beginning Fund Balance	1,270,335	73,677	1,344,012
Ending Fund Balance	<u>\$ 1,547,062</u>	<u>\$ 98,342</u>	<u>\$ 1,645,404</u>

	<u>Governmental Fund Types</u>		
		<u>Total</u>	
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 5,075,918	\$ 134,886	\$ 5,210,804
Expenditures	4,805,251	19,486	4,824,737
Net	270,667	115,400	386,067
Beginning Fund Balance	2,198,647	(379,095)	1,819,552
Ending Fund Balance	<u>\$ 2,469,314</u>	<u>\$ (263,695)</u>	<u>\$ 2,205,619</u>

	<u>Proprietary Fund Type-Enterprise</u>		
		<u>Total</u>	
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 185,806	\$ 23,566	\$ 209,372
Expenditures	192,516	52,215	244,731
Net	(6,710)	(28,649)	(35,359)
Beginning Fund Balance	19,373	87,864	107,237
Ending Retained Earnings	<u>\$ 12,663</u>	<u>\$ 59,215</u>	<u>\$ 71,878</u>

SUPPLEMENTAL INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
Year Ended June 30, 2004

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax \$ 1,198,539

Other Local Sources:

Interest on Investments 8,609

Tuition from Other Districts 276,825

Miscellaneous 33,603

319,037

1,517,576

State Sources:

Foundation Aid-District's Share 2,047,230

Experienced Teacher Compensation 44,861

Educational Excellence Program:

Phase I 30,377

Phase II 49,018

Non-Public Transportation Aid 8,997

Iowa Early Intervention Block Grant 32,065

AEA Flow-Through 167,090

Other 5,924

2,385,562

Federal Sources:

Title I Grants to Local Educational Agencies 32,076

Title V Grants to Local Educational Agencies 25,840

Class Size Reduction 12,987

Innovative Education Program Strategies (Title VI Program) 3,045

Rural Education Achievement Program 6,993

Transition Alliance Program 38,933

Other 7,926

127,800

Total Revenue 4,030,938

Expenditures:

Instruction:

Regular Program Instruction:

Salaries 1,411,167

Employee Benefits 366,784

Contractual Services 176,902

General Supplies 62,854

Other 19,407

\$ 2,037,114

Continued

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Expenditures (continued):

Instruction (continued):

Special Program Instruction:

Salaries	\$ 200,365
Employee Benefits	50,045
Contractual Services	141,848
General Supplies	712
	<u>392,970</u>

Vocational Program Instruction:

Salaries	126,314
Employee Benefits	35,865
Contractual Services	1,142
General Supplies	2,804
	<u>166,125</u>

Co-Curricular Program Instruction and Sports:

Salaries	70,085
Employee Benefits	8,176
Contractual Services	29,572
Other	100
	<u>107,933</u>
Total Instruction	<u>2,704,142</u>

Support Services:

Student Support Services:

Salaries	94,835
Employee Benefits	19,506
Contractual Services	3,047
General Supplies	245
Other	326
	<u>117,959</u>

Instructional Staff Support Services:

Salaries	31,688
Employee Benefits	9,473
General Supplies	7,608
Equipment	422
	<u>49,191</u>

General Administration:

Salaries	126,338
Employee Benefits	35,805
Contractual Services	1,000
General Supplies	6,948
Other	9,054
	<u>\$ 179,145</u>

Continued

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Expenditures (continued):

Support Services (continued):

Building Administration:

Salaries	\$ 155,009
Employee Benefits	48,363
Contractual Services	1,268
General Supplies	856
Other	2,818
	<u>208,314</u>

Business Administration:

Salaries	39,948
Employee Benefits	4,676
Contractual Services	34,548
General Supplies	4,425
Other	16,977
	<u>100,574</u>

Operation and Maintenance Services:

Salaries	124,670
Employee Benefits	41,927
Contractual Services	18,826
General Supplies	117,160
Other	758
	<u>303,341</u>

Student Transportation:

Salaries	94,677
Employee Benefits	10,743
Contractual Services	18,152
General Supplies	51,740
Other	521
	<u>175,833</u>

Total Support Services

1,134,357

Other Expenditures:

AEA Flow-Through	<u>167,090</u>
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Total Expenditures

4,005,589

Excess of Revenues Over Expenditures

25,349

Balance Beginning of Year

258,248

Balance End of Year

\$ 283,597

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2004

Schedule 2

	Special Revenue Funds			
	Management Fund	Activity Fund	PPEL Fund	Total
Assets				
Cash and Pooled Investments	\$ 65,031	\$ 82,449	\$ 156,882	\$ 304,362
Receivables:				
Property Tax	812		438	1,250
Succeeding Year Property Tax	95,000		40,197	135,197
Due from Other Funds	747			747
Total Assets	<u>161,590</u>	<u>82,449</u>	<u>197,517</u>	<u>441,556</u>
Liabilities				
Due to Other Funds			29,947	29,947
Deferred Revenue:				
Succeeding Year Property Tax	95,000		40,197	135,197
Accrued Early Retirement	30,988			30,988
Total Liabilities	<u>125,988</u>	<u>-</u>	<u>70,144</u>	<u>196,132</u>
Fund Balances				
Unreserved, undesignated fund balance	35,602	82,449	127,373	245,424
Total Liabilities and Equity	<u>\$ 161,590</u>	<u>\$ 82,449</u>	<u>\$ 197,517</u>	<u>\$ 441,556</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2004

Schedule 3

	Special Revenue Funds			
	Management Fund	Activity Fund	PPEL Fund	Total
Revenue:				
Local Sources:				
Property Taxes	\$ 75,572		\$ 44,355	\$ 119,927
Other Local Sources:				
Interest on Investments	271	\$ 457	840	1,568
Student Activities		194,310		194,310
Miscellaneous		8,273		8,273
Total Revenue	75,843	203,040	45,195	324,078
Expenditures:				
Instruction:				
Regular	36,788			36,788
Co-curricular		168,784		168,784
Support Services:				
General Administration	24,722			24,722
Operations and Maintenance	28,717			28,717
Student Transportation	8,580			8,580
Facilities Acquisition:				
Building Improvement Services			906	906
Total Expenditures	98,807	168,784	906	268,497
Excess of Revenues Over Expenditures	(22,964)	34,256	44,289	55,581
Fund Balances - Beginning of Year	58,566	48,193	83,084	189,843
Fund Balances - End of Year	\$ 35,602	\$ 82,449	\$ 127,373	\$ 245,424

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Individual Student Activity Account Activity
For the Year Ended June 30, 2004

					Schedule 4
	Balance June 30, 2003	Revenues	Expenditures	Operating Transfers	Balance June 30, 2004
Senior High					
Classes Graduated	\$ 915	\$ 3,660	\$ 5,524	\$ 1,649	\$ 700
Industrial Arts	3,132	13,795	10,167	34	6,794
Concessions	444	-	-	-	444
Baseball Concessions	2,211	3,829	4,239	140	1,941
Softball Concessions	865	6,523	4,316	(140)	2,932
Library	2,040	-	-	-	2,040
Vocal Music	594	25,829	23,664	(201)	2,558
Instrumental Music	(314)	6,813	7,048	2,058	1,509
National Honor Society	392	286	733	-	(55)
Drill Team	(866)	17,468	16,326	493	769
Student Council	2,843	6,396	7,086	140	2,293
School Yearbook	2,629	13,267	9,435	379	6,840
Elementary Yearbook	6,060	2,170	2,659	-	5,571
Junior High Activity	5,962	15,369	14,746	-	6,585
Drama and Speech	780	261	1,104	430	367
Contingency Fund	14,160	457	1,261	(308)	13,048
General Athletics	(2,711)	54,686	41,255	4,014	14,734
Dollars for Scholars	1,488	1,580	871	-	2,197
Cheerleaders	(1,469)	4,444	1,307	-	1,668
Senior Class	940	-	1,711	1,219	448
Junior Class	2,223	869	1,421	881	2,552
Sophomore Class	3,103	5,628	2,540	(2,520)	3,671
Freshman Class	583	1,615	380	(583)	1,235
Miscellaneous	(9)	9,313	9,349	(4)	(49)
ELP Store	500	-	-	-	500
Activity Tickets	-	7,185	-	(7,181)	4
Accelerated Reader Program	(7)	7	-	-	-
Soup and Pie Supper	1,303	1,485	1,642	(500)	646
Bronson Teachers	105	105	-	-	210
Destination Imagination	297	-	-	-	297
	\$ 48,193	\$ 203,040	\$ 168,784	\$ -	\$ 82,449

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Comparison of Taxes and Intergovernmental Revenues and Receipts
For the Years Ended June 30, 2004, 2003, 2002, 2001

Schedule 5

	Modified Accrual Basis of Accounting			
	2004	2003	2002	2001
Local Sources:				
Property Taxes	\$ 1,735,316	\$ 1,674,822	\$ 1,757,709	\$ 1,754,542
Local Sales and Service Tax	407,961	388,270	376,052	421,985
	<u>2,143,277</u>	<u>2,063,092</u>	<u>2,133,761</u>	<u>2,176,527</u>
State Sources:				
State Foundation Aid	2,047,230	2,000,284	1,973,041	1,968,481
School Improvement and Technology	-	-	12,878	37,522
Teachers Compensation Allocation	44,861	39,378	38,071	-
Lunch and Breakfast Program Claims	3,520	3,680	3,722	4,672
Educational Excellence Program:				
Phase I	30,377	30,604	30,604	30,604
Phase II	49,018	50,507	51,477	51,148
Phase III	-	12,550	29,797	29,451
Non-Public Transportation Aid	8,997	8,748	9,180	9,543
Vocational Education Aid	3,924	-	2,110	2,093
Revenue in Lieu of Taxes - Military Credit	-	-	1,114	-
Iowa Early Intervention Block Grant	32,065	35,024	36,040	16,960
AEA Flow-Through	167,090	183,568	184,302	184,447
Other State Aid	2,000	3,077	-	-
	<u>2,389,082</u>	<u>2,367,420</u>	<u>2,372,336</u>	<u>2,334,921</u>
Federal Sources:				
Title I	32,076	29,198	20,554	13,559
Title V	25,840	-	-	-
Class Size Reduction	12,987	15,128	9,219	-
Safe and Drug Free Schools and Communities	-	1,881	2,110	1,083
Innovative Education Program Strategies (Title VI Program)	3,045	17,853	6,828	5,310
National School Lunch Fund	51,434	46,833	49,839	43,340
Food Distribution	23,565	36,718	23,573	12,026
Early Childhood Grant	-	-	-	7,836
Eisenhower Grant	-	1,049	816	-
Rural Education Achievement Program	6,993	28,813	-	-
Transition Alliance Program	38,933	13,218	-	-
Other Federal Aid	7,926	-	3,762	-
	<u>202,799</u>	<u>190,691</u>	<u>116,701</u>	<u>83,154</u>
Total	<u>\$ 4,735,158</u>	<u>\$ 4,621,203</u>	<u>\$ 4,622,798</u>	<u>\$ 4,594,602</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of the
Lawton-Bronson Community School District

We have audited the financial statements of the LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Lawton-Bronson Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Lawton-Bronson Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lawton-Bronson Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-04 and II-B-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-04 and II-B-04 are material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Lawton-Bronson Community School District and other parties to whom the Lawton-Bronson Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lawton-Bronson Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Certified Public Accountants

Sioux City, Iowa
September 30, 2004

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

REPORTABLE CONDITIONS:

II-A-04 Financial Accounting – Segregation of Duties

- A. Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the superintendent. We also noted that the financial reporting is under the direction of the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-04 Financial Accounting – Fixed Assets

- A. Observation – During the audit it was noted that not all fixed assets are being added to the fixed asset inventory listing. It was also noted that school nutrition assets have not been depreciated properly.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Recommendation – All fixed asset additions should be added to the fixed asset inventory listing in order to maintain a complete and accurate inventory. In addition, depreciation should be calculated on all school nutrition assets and accumulated depreciation should be adjusted accordingly.

Response – The capital outlays will be periodically reconciled to the fixed asset additions per the inventory listing. Also, School Nutrition accumulated depreciation will be kept adjusted and will be kept current.

Conclusion – Response accepted.

Part III: Other Findings Related to Statutory Reporting:

- | | |
|----------|--|
| III-A-04 | <u>Official Depositories</u> – A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004. |
| III-B-04 | <u>Certified Budget</u> – Disbursements for the year ended June 30, 2004 did not exceed amounts budgeted. |
| III-C-04 | <u>Questionable Disbursements</u> – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. |
| III-D-04 | <u>Travel Expense</u> – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. |
| III-E-04 | <u>Business Transactions</u> – There were no business transactions between the District and District officials or employees during the year ended June 30, 2004. |
| III-F-04 | <u>Bond Coverage</u> – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. |
| III-G-04 | <u>Board Minutes</u> – No transactions requiring Board approval which had not been approved by the Board were noted. |
| III-H-04 | <u>Certified Enrollment</u> – No variances in the basic enrollment data certified to the Department of Education were noted. |
| III-I-04 | <u>Deposits and Investments</u> – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted. |
| III-J-04 | <u>Certified Annual Report</u> – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported. |